

United States Senate

WASHINGTON, DC 20510-1804

July 10, 2008

The Honorable Max Baucus
Chairman
Committee on Finance
219 Dirksen Senate Office Building
United States Senate
Washington, DC 20510

The Honorable Charles Rangel
Chairman
Committee on Ways and Means
1102 Longworth House Office Building
United States House of Representatives
Washington, DC 20515

The Honorable Charles Grassley
Ranking Member
Committee on Finance
219 Dirksen Senate Office Building
United States Senate
Washington, DC 20510

The Honorable Jim McCrery
Ranking Member
Committee on Ways and Means
1139-E Longworth House Office Building
United States House of Representatives
Washington, DC 20515

Dear Chairmen Rangel and Baucus and Ranking Members McCrery and Grassley:

As the House and Senate work to reconcile the differences between each chamber's versions of the housing stimulus legislation, I write to express my strong support for preserving the Gulf Coast tax relief in the version of the bill that the Senate is currently considering. I also wanted to express my sincere gratitude for Congress' willingness to address this issue in an expeditious manner.

The Senate housing legislation contains two important components that are critical to our recovery. First, it prevents residents along the Gulf Coast from being taxed on their rebuilding grants. After the 2005 hurricanes, tens of thousands of Gulf Coast residents took casualty loss deductions due to damage that their homes sustained. Many of these homeowners subsequently received rebuilding grants from Louisiana's Road Home program, Mississippi's Housing Assistance program, or from similar programs in other states.

The IRS concluded, however, that Gulf Coast homeowners must take the value of their casualty loss deductions and add them to their income in 2007 or 2008. This decision, therefore, increases the amount of a homeowner's income while bumping him or her into a higher tax bracket. By way of example, if a homeowner took a \$50,000 casualty loss deduction and received a \$50,000 Road Home grant, she would be forced to add \$50,000 to her income in 2007. As a result of this decision, thousands of middle and lower income homeowners across the Gulf Coast are still struggling to figure how they can pay for these enormous tax increases. Most of these families were already facing significant financial challenges as a result of the 2005 hurricanes.

The Senate version of the housing bill would allow Gulf Coast homeowners to amend their 2005 tax returns so that they could either reduce or eliminate their casualty loss deductions. By eliminating their casualty loss deductions, homeowners would have to pay back any refund that they received as a result of the deduction. They would not, however, have to pay taxes on their Road Home grants.

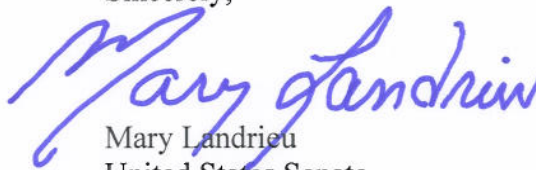
The Senate version of the bill also ensures that individuals can continue to develop residential rental housing and commercial properties and still take advantage of special tax treatment that the Congress previously enacted. Under the Gulf Opportunity ("GO") Zone Act, businesses can take a 50% bonus depreciation tax deduction for constructing commercial and residential rental property in specified counties and parishes along the Gulf Coast. In order to use this important incentive, businesses must have begun construction by December 31, 2007. Unfortunately, high labor and insurance costs, debris removal, and FEMA bureaucracy have slowed our ability to use this critical provision. The Senate version of the legislation would eliminate the date by which businesses would be required to begin construction in order to take advantage of the bonus depreciation language, thereby ensuring that important housing and commercial construction can continue. It would not affect the current deadlines for completing construction.

In April, the Senate added the rebuilding grant and bonus depreciation language to the Foreclosure Prevention Act on a 74-5 vote. Given this overwhelming bipartisan vote and the ongoing importance of addressing the Gulf Coast housing crisis, it is my hope that the Congress will retain this critical tax relief as it attempts to reconcile the differences between the House and the Senate versions of the legislation.

Finally, I just wanted to thank you for your continued commitment to this tax relief. It is so critically important to thousands of homeowners on the Gulf Coast. Of course, if you have any questions regarding the foregoing, please do not hesitate to contact me.

With warm regards, I am

Sincerely,



Mary Landrieu
United States Senate

MLL/bsa

cc: The Honorable Christopher Dodd
The Honorable Barney Frank
The Honorable Richard Shelby
The Honorable Spencer Bachus